

**REPORT OF THE AUDIT OF THE
GREEN COUNTY
CLERK**

**For The Year Period
May 22, 2009 Through December 31, 2009**



**CRIT LUALLEN
AUDITOR OF PUBLIC ACCOUNTS
www.auditor.ky.gov**

**209 ST. CLAIR STREET
FRANKFORT, KY 40601-1817
TELEPHONE (502) 564-5841
FACSIMILE (502) 564-2912**

EXECUTIVE SUMMARY

AUDIT EXAMINATION OF THE GREEN COUNTY CLERK

**For The Year Period
May 22, 2009 Through December 31, 2009**

The Auditor of Public Accounts has completed the Green County Clerk's audit for the period May 22, 2009 through December 31, 2009. Based upon the audit work performed, the financial statement presents fairly in all material respects, the revenues, expenditures, and excess fees in conformity with the regulatory basis of accounting.

Financial Condition:

Excess fees for the period May 22, 2009 through December 31, 2009 totaled \$(5,195).

Report Comments:

- 2009-01 The County Clerk Should Reimburse The Fee Account \$2,097 For Disallowed Expenditures
- 2009-02 The County Clerk Should Properly Account For All Delinquent Taxes
- 2009-03 The County Clerk Should Remit \$292 In Payroll Withholdings To The City
- 2009-04 The County Clerk Should Account For Expenses In The Year Incurred
- 2009-05 The County Clerk Should Eliminate The Deficit Of \$5,195 In His Official Fee Account
- 2009-06 The County Clerk Should Properly Prepare Deed Transfer Tax Reports And Remit Deed Transfer Tax To The Fiscal Court
- 2009-07 The 4th Quarter Financial Report Was Materially Inaccurate And Receipts And Disbursements Ledgers Were Not Properly Maintained
- 2009-08 The County Clerk's Office Lacks Adequate Segregation Of Duties

Deposits:

The County Clerk's deposits were insured by the Federal Deposit Insurance Corporation (FDIC).

CONTENTS

PAGE

INDEPENDENT AUDITOR'S REPORT	1
STATEMENT OF REVENUES, EXPENDITURES, AND EXCESS FEES - REGULATORY BASIS	3
NOTES TO FINANCIAL STATEMENT	6
REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF THE FINANCIAL STATEMENT PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS	11
COMMENTS AND RECOMMENDATIONS	15



CRIT LUALLEN
AUDITOR OF PUBLIC ACCOUNTS

The Honorable Mary Ann Blaydes Baron, Green County Judge/Executive
The Honorable Billy Joe Lowe, Green County Clerk
Members of the Green County Fiscal Court

Independent Auditor's Report

We have audited the accompanying statement of revenues, expenditures, and excess fees - regulatory basis of the County Clerk of Green County, Kentucky, for the period May 22, 2009 through December 31, 2009. This financial statement is the responsibility of the County Clerk. Our responsibility is to express an opinion on this financial statement based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States, and the Audit Guide for County Fee Officials issued by the Auditor of Public Accounts, Commonwealth of Kentucky. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statement is free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statement. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As described in Note 1, the County Clerk's office prepares the financial statement on a regulatory basis of accounting that demonstrates compliance with the laws of Kentucky, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.

In our opinion, the financial statement referred to above presents fairly, in all material respects, the revenues, expenditures, and excess fees of the County Clerk for the period May 22, 2009 through December 31, 2009, in conformity with the regulatory basis of accounting described in Note 1.

In accordance with Government Auditing Standards, we have also issued our report dated July 19, 2010 on our consideration of the Green County Clerk's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.



The Honorable Mary Ann Blaydes Baron, Green County Judge/Executive
The Honorable Billy Joe Lowe, Green County Clerk
Members of the Green County Fiscal Court

Based on the results of our audit, we have presented the accompanying comments and recommendations, included herein, which discusses the following report comments:

- 2009-01 The County Clerk Should Reimburse The Fee Account \$2,097 For Disallowed Expenditures
- 2009-02 The County Clerk Should Properly Account For All Delinquent Taxes
- 2009-03 The County Clerk Should Remit \$292 In Payroll Withholdings To The City
- 2009-04 The County Clerk Should Account For Expenses In The Year Incurred
- 2009-05 The County Clerk Should Eliminate The Deficit Of \$5,195 In His Official Fee Account
- 2009-06 The County Clerk Should Properly Prepare Deed Transfer Tax Reports And Remit Deed Transfer Tax To The Fiscal Court
- 2009-07 The 4th Quarter Financial Report Was Materially Inaccurate And Receipts And Disbursements Ledgers Were Not Properly Maintained
- 2009-08 The County Clerk's Office Lacks Adequate Segregation Of Duties

This report is intended solely for the information and use of the County Clerk and Fiscal Court of Green County, Kentucky, and the Commonwealth of Kentucky and is not intended to be and should not be used by anyone other than these specified parties.

Respectfully submitted,

A handwritten signature in black ink, appearing to read "Crit Luallen", with a stylized, flowing script.

Crit Luallen
Auditor of Public Accounts

July 19, 2010

GREEN COUNTY
 BILLY JOE LOWE, COUNTY CLERK
STATEMENT OF REVENUES, EXPENDITURES, AND EXCESS FEES - REGULATORY BASIS

For The Period May 22, 2009 Through December 31, 2009

Revenues

Revenue Supplement	\$	10,796
--------------------	----	--------

State Fees For Services		540
-------------------------	--	-----

Fiscal Court		390
--------------	--	-----

Licenses and Taxes:

Motor Vehicle-

Licenses and Transfers	\$	149,200
------------------------	----	---------

Usage Tax		197,022
-----------	--	---------

Tangible Personal Property Tax		339,319
--------------------------------	--	---------

Lien Fees		3,336
-----------	--	-------

Other-

Marriage Licenses		1,668
-------------------	--	-------

Deed Transfer Tax		11,364
-------------------	--	--------

Delinquent Tax	38,469	740,378
----------------	--------	---------

Fees Collected for Services:

Recordings-

Deeds, Easements, and Contracts		7,447
---------------------------------	--	-------

Real Estate Mortgages		14,090
-----------------------	--	--------

Chattel Mortgages and Financing Statements		18,623
--	--	--------

Powers of Attorney		1,398
--------------------	--	-------

All Other Recordings		11,248
----------------------	--	--------

Charges for Other Services-

Candidate Filing Fees		1,950
-----------------------	--	-------

Copywork	1,113	55,869
----------	-------	--------

Other:

Notary Fees		19
-------------	--	----

Miscellaneous		1,067
---------------	--	-------

Returned Check Fee	60	1,146
--------------------	----	-------

Interest Earned		31
-----------------	--	----

Total Revenues		809,150
----------------	--	---------

The accompanying notes are an integral part of this financial statement.

GREEN COUNTY
 BILLY JOE LOWE, COUNTY CLERK
 STATEMENT OF REVENUES, EXPENDITURES, AND EXCESS FEES - REGULATORY BASIS
 For The Period May 22, 2009 Through December 31, 2009
 (Continued)

Expenditures

Payments to State:

Motor Vehicle-

Licenses and Transfers \$ 97,494

Usage Tax 191,168

Tangible Personal Property Tax 119,098

Licenses, Taxes, and Fees-

Delinquent Tax 6,825

Legal Process Tax 7,064

Affordable Housing Trust Fund 6,186 \$ 427,835

Payments to Fiscal Court:

Tangible Personal Property Tax 30,541

Delinquent Tax 3,710

Deed Transfer Tax 10,796 45,047

Payments to Other Districts:

Tangible Personal Property Tax 176,267

Delinquent Tax 18,339 194,606

Payments to Sheriff 381

Payments to County Attorney 5,598

Operating Expenditures:

Personnel Services-

Deputies' Salaries 58,816

Employee Benefits-

Employer's Share Social Security 7,526

Contracted Services-

Indexing 1,720

Payroll Preparation 700

Contract Labor 550

Materials and Supplies-

Office Supplies 12,216

The accompanying notes are an integral part of this financial statement.

GREEN COUNTY
 BILLY JOE LOWE, COUNTY CLERK
 STATEMENT OF REVENUES, EXPENDITURES, AND EXCESS FEES - REGULATORY BASIS
 For The Period May 22, 2009 Through December 31, 2009
 (Continued)

Expenditures (Continued)

Operating Expenditures: (Continued)

Other Charges-

Conventions and Travel	\$	3,108	
Dues		1,020	
Postage		1,948	
Refunds		171	
Phone & Internet		2,713	
Advertising		363	
Donations		110	
Miscellaneous		477	
Printing Tax Bills		2,129	
Interest and Penalty		379	
Maintenance and Repairs		2,164	
Bad Debt Expense		257	
		<u>257</u>	\$ 96,367

Total Expenditures \$ 769,834

Less: Disallowed Expenditures

Donations	110	
Personal Advertising	327	
Personally Imprinted Items	1,281	
Interest and Penalty	<u>379</u>	<u>2,097</u>

Total Allowable Expenditures 767,737

Net Revenues 41,413

Less: Statutory Maximum 41,529

Excess Fees (116)

Less: Expense Allowance 2,100

Training Incentive Benefit 882 2,982

Fee Account Deficit \$ (3,098)

The accompanying notes are an integral part of this financial statement.

GREEN COUNTY
NOTES TO FINANCIAL STATEMENT

December 31, 2009

Note 1. Summary of Significant Accounting Policies

A. Fund Accounting

A fee official uses a fund to report on the results of operations. A fund is a separate accounting entity with a self-balancing set of accounts. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain government functions or activities.

A fee official uses a fund for fees to account for activities for which the government desires periodic determination of the excess of revenues over expenditures to facilitate management control, accountability, and compliance with laws.

B. Basis of Accounting

KRS 64.820 directs the fiscal court to collect any amount, including excess fees, due from the County Clerk as determined by the audit. KRS 64.152 requires the County Clerk to settle excess fees with the fiscal court by March 15 each year.

The financial statement has been prepared on a regulatory basis of accounting, which demonstrates compliance with the laws of Kentucky and is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. Under this regulatory basis of accounting, revenues and expenditures are generally recognized when cash is received or disbursed with the exception of accrual of the following items (not all-inclusive), at December 31 that may be included in the excess fees calculation:

- Interest receivable
- Collection on accounts due from others for 2009 services
- Reimbursements for 2009 activities
- Payments due other governmental entities for December tax and fee collections and payroll
- Payments due vendors for goods or services provided in 2009

The measurement focus of a fee official is upon excess fees. Remittance of excess fees is due to the County Treasurer in the subsequent year.

C. Cash and Investments

At the direction of the fiscal court, KRS 66.480 authorizes the County Clerk's office to invest in the following, including but not limited to, obligations of the United States and of its agencies and instrumentalities, obligations and contracts for future delivery or purchase of obligations backed by the full faith and credit of the United States, obligations of any corporation of the United States government, bonds or certificates of indebtedness of this state, and certificates of deposit issued by or other interest-bearing accounts of any bank or savings and loan institution which are insured by the Federal Deposit Insurance Corporation (FDIC) or which are collateralized, to the extent uninsured, by any obligation permitted by KRS 41.240(4).

GREEN COUNTY
NOTES TO FINANCIAL STATEMENT
December 31, 2009
(Continued)

Note 2. Employee Retirement System

The county officials and employees have elected to participate in the County Employees Retirement System (CERS), pursuant to KRS 78.530 administered by the Board of Trustees of the Kentucky Retirement Systems. This is a cost-sharing, multiple-employer, defined benefit pension plan that covers all eligible full-time employees and provides for retirement, disability, and death benefits to plan members.

Benefit contributions and provisions are established by statute. Nonhazardous covered employees are required to contribute 5.0 percent of their salary to the plan. Nonhazardous covered employees who begin participation on or after September 1, 2008 are required to contribute 6.0 percent of their salary to the plan. The county's contribution rate for nonhazardous employees was 13.50 percent for the first six months and 16.16 percent for the last six months of the year.

Benefits fully vest on reaching five years of service for nonhazardous employees. Aspects of benefits for nonhazardous employees include retirement after 27 years of service or age 65.

Historical trend information pertaining to CERS' progress in accumulating sufficient assets to pay benefits when due is presented in the Kentucky Retirement Systems' annual financial report which is a matter of public record. This report may be obtained by writing the Kentucky Retirement Systems, 1260 Louisville Road, Frankfort, Kentucky 40601-6124, or by telephone at (502) 564-4646.

Note 3. Deposits

The Green County Clerk maintained deposits of public funds with depository institutions insured by the Federal Deposit Insurance Corporation (FDIC) as required by KRS 66.480(1)(d). According to KRS 41.240(4), the depository institution should pledge or provide sufficient collateral which, together with FDIC insurance, equals or exceeds the amount of public funds on deposit at all times. In order to be valid against the FDIC in the event of failure or insolvency of the depository institution, this pledge or provision of collateral should be evidenced by an agreement between the County Clerk and the depository institution, signed by both parties, that is (a) in writing, (b) approved by the board of directors of the depository institution or its loan committee, which approval must be reflected in the minutes of the board or committee, and (c) an official record of the depository institution.

Custodial Credit Risk - Deposits

Custodial credit risk is the risk that in the event of a depository institution failure, the County Clerk's deposits may not be returned. The Green County Clerk does not have a deposit policy for custodial credit risk but rather follows the requirements of KRS 41.240(4). As of December 31, 2009, all deposits were covered by FDIC insurance or a properly executed collateral security agreement.

THIS PAGE LEFT BLANK INTENTIONALLY

REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND
ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF THE FINANCIAL
STATEMENT PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS



CRIT LUALLEN
AUDITOR OF PUBLIC ACCOUNTS

The Honorable Mary Ann Blaydes, Green County Judge/Executive
The Honorable Billy Joe Lowe, Green County Clerk
Members of the Green County Fiscal Court

Report On Internal Control Over Financial Reporting And
On Compliance And Other Matters Based On An Audit Of The Financial
Statement Performed In Accordance With Government Auditing Standards

We have audited the statement of revenues, expenditures, and excess fees - regulatory basis of the Green County Clerk for the period May 22, 2009 through December 31, 2009, and have issued our report thereon dated July 19, 2010. The County Clerk's financial statement is prepared in accordance with a basis of accounting other than generally accepted accounting principles. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Green County Clerk's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statement, but not for the purpose of expressing an opinion on the effectiveness of the Clerk's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Clerk's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses and therefore, there can be no assurance that all deficiencies, significant deficiencies, or material weaknesses have been identified. However, as described in the accompanying comments and recommendations, we identified a certain deficiency in internal control over financial reporting that we consider to be a material weakness.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiency described in the accompanying comments and recommendations as item 2009-08 to be a material weakness.



Report On Internal Control Over Financial Reporting And
On Compliance And Other Matters Based On An Audit Of The Financial
Statement Performed In Accordance With Government Auditing Standards
(Continued)

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Green County Clerk's financial statement for the period May 22, 2009 through December 31, 2009, is free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under Government Auditing Standards and which are described in the accompanying comments and recommendations as items 2009-01, 2009-02, 2009-03, 2009-04, 2009-05, 2009-06, and 2009-07.

The Green County Clerk's response to the findings identified in our audit is described in the accompanying comments and recommendations. We did not audit the Clerk's response and, accordingly, we express no opinion on it.

This report is intended solely for the information and use of management, the Green County Fiscal Court, others within the entity, and the Department for Local Government and is not intended to be and should not be used by anyone other than these specified parties.

Respectfully submitted,



Crit Luallen
Auditor of Public Accounts

July 19, 2010

COMMENTS AND RECOMMENDATIONS

GREEN COUNTY
BILLY JOE LOWE, COUNTY CLERK
COMMENTS AND RECOMMENDATIONS

For The Period May 22, 2009 Through December 31, 2009

STATE LAWS AND REGULATIONS:

2009-01 The County Clerk Should Reimburse The Fee Account \$2,097 For Disallowed Expenditures

Test procedures conducted during the audit revealed the County Clerk disbursed funds from the official fee account for charitable contributions, personally imprinted items, advertising, and interest and penalty. These expenditures are not considered allowable expenses of the County Clerk's office.

The following is a detailed listing of those expenditures:

- \$110 was donated to two local organizations.
- \$1,281 was expended for personally imprinted items. The County Clerk purchased calendars imprinted with his name to give away to customers.
- \$327 was expended on advertising that did not benefit the public.
- \$379 was paid in interest and penalties which resulted from late filing of payroll taxes.

In Funk v. Milliken, 317 S.W.2d 499 (Ky. 1958), Kentucky's highest court ruled that county fee officials' expenditures of public funds will be allowed only if they are necessary, adequately documented, reasonable in amount, beneficial to the public, and not primarily personal in nature.

We recommend the County Clerk avoid expenses that do not meet the Funk v. Milliken test. We also recommend the County Clerk reimburse the official fee account for these disallowed expenses totaling \$2,097 from personal funds.

County Clerk's Response: I do not agree with this at all. All advertising was for the good of the general public.

Auditor's Reply: Public funds spent on advertising for local charities and organizations are not considered an allowable expense of the County Clerk's office. Only advertisements that are required by statute are considered necessary and allowable.

2009-02 The County Clerk Should Properly Account For All Delinquent Taxes

The County Clerk did not properly account for 2007 delinquent taxes previously bought by the state during the tax sale on April 28, 2008. When these delinquent bills were turned over to the County Clerk's office, they were erroneously entered into the computer system as paid. On December 5, 2009, the County Clerk collected a 2007 delinquent tax bill in the amount of \$511, which did not include additional interest and fees due. According to KRS 134.500(1)(a), "A certificate of delinquency shall bear interest at twelve percent (12%) per annum simple interest from the date the certificate of delinquency is issued. A fraction of a month is counted as an entire month. The amount on which interest is calculated includes the following:

1. The face amount of tax due;
2. The ten percent (10%) penalty;
3. The five dollar (\$5) sheriff's fee; and
4. Advertising cost incurred."

GREEN COUNTY
BILL JOE LOWE, COUNTY CLERK
COMMENTS AND RECOMMENDATIONS
For The Period May 22, 2009 Through December 31, 2009
(Continued)

STATE LAWS AND REGULATIONS: (Continued)

2009-02 The County Clerk Should Properly Account For All Delinquent Taxes (Continued)

Additionally, the statute entitles the county attorney to twenty percent (20%) if he or she enters into a contract and performs duties in respect to the certificate of delinquency. Also, KRS 134.480(2)(d) allows the County Clerk to retain ten percent (10%) of the amount due each taxing district as a fee for his services.

We recommend the County Clerk correct his computer system, collect the correct amounts due, and properly account for all delinquent taxes. For the period May 22, 2009 through December 31, 2009, we recommend the County Clerk remit the \$511 already collected to the state. Then he should attempt to collect the additional interest and fees due from the taxpayer. Once this is collected, the County Clerk should remit the appropriate amounts to the state and the county attorney, retaining his portion as county clerk's commission.

County Clerk's Response: Agree.

2009-03 The County Clerk Should Remit \$292 In Payroll Withholdings To The City

A CPA prepares the individual earning records and payroll tax reports for the County Clerk's office. The County Clerk prepares the checks to submit to the appropriate reporting authorities. For the period May 22, 2009 through December 31, 2009, we noted the County Clerk did not remit \$292 withheld from employees' paychecks to the city. We recommend the County Clerk remit the amount due to the city.

County Clerk's Response: I was informed wrong about withholding payroll tax on expense account.

2009-04 The County Clerk Should Account For Expenses In The Year Incurred

During the test of expenditures, auditors noted that the County Clerk paid \$4,392 for expenses incurred during calendar year 2009 from his 2010 fee account. KRS 134.310(5)(6) requires the County Clerk to provide annually a complete statement of all funds received, all expenditures paid and remit any excess fees. Inherent in this requirement is that each year must be accounted for separately. Additionally, KRS 68.210 gives the State Local Finance Officer the authority to prescribe a uniform system of accounts, which includes the payment of all invoices within 30 days. We recommend the County Clerk ensure that all invoices are paid in a timely manner and keep each calendar year's expenses separate.

County Clerk's Response: Agree.

GREEN COUNTY
 BILL JOE LOWE, COUNTY CLERK
 COMMENTS AND RECOMMENDATIONS
 For The Period May 22, 2009 Through December 31, 2009
 (Continued)

STATE LAWS AND REGULATIONS: (Continued)

2009-05 The County Clerk Should Eliminate The Deficit Of \$5,195 In His Official Fee Account

The County Clerk had a deficit in the amount of \$5,195 in his official fee account as of December 31, 2009. The deficit is a result from the following:

Unpaid Obligations		
Delinquent Taxes (see comment 2009-02)	\$511	
Local Payroll Withholdings (see comment 2009-03)	292	\$ 803
Paid Obligations from 2010 Fees (see comment 2009-04)		4,392
Total Deficit		\$ 5,195

According to KRS 186.040(6)(c), the county clerk offices in counties with a population less than 20,000, shall receive an unrestricted revenue supplement for operations of the office related to the collection and administration of road fund taxes. The former county clerk received the revenue supplement for calendar year 2009 in the amount of \$57,376, which was remitted to Fiscal Court as excess fees when she left office on May 21, 2009. The Auditor of Public Accounts consulted with the Department for Local Government and determined the County Clerk should receive a prorated amount of the 2009 supplement. Since the County Clerk had disallowed expenditures of \$2,097 (see comment 2009-01) he should reimburse his fee account this amount. Therefore, the County Clerk should request the remaining difference of \$3,098 from the fiscal court. After the County Clerk receives these funds and reimburses the disallowed expenditures from personal funds, he should pay delinquent taxes of \$511, local payroll withholdings of \$292, and replenish the 2010 official fee account for paid obligations of \$4,392.

County Clerk's Response: County should reimburse total \$3,098.

2009-06 The County Clerk Should Properly Prepare Deed Transfer Tax Reports And Remit Deed Transfer Tax To The Fiscal Court

The County Clerk did not properly prepare deed transfer tax reports or submit deed transfer tax payments to the fiscal court. KRS 142.050(4) requires the County Clerk to collect the tax and retain five percent (5%) as a fee for collection and remit the balance every three (3) months to the county treasurer. The total deed transfer tax due the fiscal court for the period May 22, 2009 through December 31, 2009 was \$10,796. Since the County Clerk was due a portion of the revenue supplement that was turned over to the fiscal court as discussed in comment 2009-05, the \$10,796, due the fiscal court in deed transfer taxes, has been netted against the amount due from the fiscal court. In the future, we recommend the County Clerk prepare deed transfer tax reports and submit deed transfer tax payments to the fiscal court timely.

County Clerk's Response: None.

GREEN COUNTY
BILL JOE LOWE, COUNTY CLERK
COMMENTS AND RECOMMENDATIONS
For The Period May 22, 2009 Through December 31, 2009
(Continued)

STATE LAWS AND REGULATIONS: (Continued)

2009-07 The 4th Quarter Financial Report Was Materially Inaccurate And Receipts And Disbursements Ledgers Were Not Properly Maintained

When compared to the bank, the fourth quarter financial report submitted to the Department for Local Government and to Fiscal Court for the period May 22, 2009 through December 31, 2009 was materially inaccurate. The County Clerk's receipts and disbursements ledgers were not accurate and complete. Therefore, auditors recapped daily checkout sheets and cancelled checks to compare to the fourth quarter financial report. Based on this comparison, receipts and disbursements were understated on the fourth quarterly report by \$113,603 and \$128,844, respectively. Per the *Instructional Guide for County Budget Preparation and State Local Finance Officer Policy Manual*, minimum requirements pursuant to KRS 68.210 require the County Clerk to maintain accurate books of original entry for receipts and expenditures. We recommend the County Clerk prepare and maintain accurate receipts and disbursements ledgers. We also recommend the County Clerk ensure that reports submitted accurately reflect the receipts and disbursements of the clerk's office.

County Clerk's Response: Steps have been taken to correct this.

INTERNAL CONTROL - MATERIAL WEAKNESS:

2009-08 The County Clerk's Office Lacks Adequate Segregation Of Duties

The County Clerk's office lacks adequate segregation of duties over receipts and disbursements. The County Clerk prepares the daily checkout sheets and bank deposits and deposits the money into the bank. The County Clerk also prepares, signs, and mails all disbursements. In addition, he posts to the receipts and disbursements ledgers and prepares the bank reconciliations. As a result of the lack of segregation of duties the following occurred:

- The fourth quarter financial report was materially inaccurate (see comment 2009-07).
- Delinquent taxes were not properly accounted for (see comment 2009-02).
- Payroll withholdings were not properly submitted (see comment 2009-03).

Adequate segregation of duties would prevent the same person from having a significant role in the process, recording, and reporting of receipts and disbursements. The County Clerk should delegate these functions to other employees and implement compensating controls, if necessary. These compensating controls should be documented.

County Clerk's Response: Do the best we can for a small county.

